REVENU QUÉBEC

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# New Businesses and Taxation

Canada

Québec

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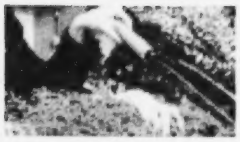


# Introduction

You will find this brochure useful if you are planning to start up a business in Québec (or have recently done so) and have questions about how the tax system applies to businesses.

This brochure is intended for small and medium-sized businesses. Although it contains a variety of information, it does not deal with the special rules applicable to large businesses, charities, non-profit organizations or public institutions such as hospitals or universities.

The first section of the brochure provides a brief description of the legal forms of business organization: sole proprietorship, partnership and corporation. It also presents the criteria for determining whether a worker is an employee or self-employed. The second section explains various administrative formalities involved in setting up a business.

In this brochure, you will find information not only on your fiscal obligations and business registration procedures, but also on the tax credits, deductions, refunds and other advantages to which you may be entitled. Most of the information is tax-related. For questions concerning other aspects of operating a business, you should consult the reference material available on the market. By being well informed, you will be better able to assess your chances of success, choose the form of business that best suits your needs, draw up a business plan, define your goals, etc.

As the Québec tax system is based on self-assessment, taxpayers are responsible for reporting their income and calculating their income tax payable. This is why it is important to keep abreast of changes in the tax system. The Budget Speech of the Minister of Finance is a valuable source of information, as is *Tax News*, an electronic bulletin designed specifically for businesses and posted on Revenu Québec's Web site.

Since you have decided to start a business in Québec, you are doubtless already familiar with certain tax requirements. Did you know, for example, that if your annual business income is over $30,000, you will probably be required to collect the goods and services tax (GST) and the Québec sales tax (QST)? Or that, if you have employees, you must report their salaries and wages, in addition to making source deductions of income tax, Québec Pension Plan contributions, etc., and remitting the required amounts to Revenu Québec by the prescribed deadlines?

To help you meet your various fiscal obligations easily and efficiently, Revenu Québec has developed Clic Revenu, a range of electronic services which allow you, among other things, to consult your tax file online. You can register for Clic Revenu on our Web site at **www.revenu.gouv.qc.ca**. You will find useful information for your type of business under the **Businesses** and **Self-employed persons** portals and can consult or order the folders, brochures, forms and guides found under **Forms and publications**.

The following visual symbols have been included in this brochure to facilitate comprehension:

An open document appears in the margin when we refer to a guide, brochure or similar publication of Revenu Québec (such as the *Guide for Employers: Source Deductions and Contributions*, TP-1015.G-V).

A pencil is used when we refer to forms (such as the *Application for Registration*, LM-1-V).

Information that concerns only sole proprietorships (including self-employed persons) or partnerships is indicated by a blue line in the margin.

Information that concerns corporations only is indicated by an orange line in the margin.

# 1. Types of business

There are various legal forms of business organization. This brochure is intended for persons whose business is

- a **sole proprietorship**, that is, a business owned by one person;
- a **partnership**, that is, a business owned by at least two persons, called partners;
- a **corporation**, that is, a business comprised of one or more individuals, called shareholders. A corporation is a legal entity and is distinct from the *shareholders* who comprise it.

The obligations you have towards the Revenu Québec—for example, with respect to your income tax return, other forms to be completed, and your income tax payable—will vary according to the type of business you choose. Your liability for the debts of the business will also depend on the legal structure of the business. It is therefore important to choose the type of business that is most appropriate for you.

**IMPORTANT**: Your income will be considered business income only if you operate your business on a commercial basis. This objective is particularly important, for example, if you wish to claim a loss. In fact, a loss may be claimed only with respect to an activity that is sufficiently commercial to be considered a source of income.

For further information on the various types of businesses, we suggest that you explore the *Entreprises* tab on the Portail Québec site at **www.gouv.qc.ca**.

## Sole proprietorship

A sole proprietorship belongs to **one person**. It is the simplest form of business. The owner of the business receives all the profits of the business, assumes all the risks and is responsible for all the debts of the business. If the business goes bankrupt, the owner's personal assets (as well as the assets of the business) may be seized.

If two or more individuals wish to operate a business together, they may form a partnership (in which they will be partners) or a corporation (in which they will be shareholders).

### Self-employed persons

A **self-employed person** is an individual who, under a verbal or written agreement, undertakes to provide a service or perform a task for a client in exchange for an agreed amount. Such an individual may also, for example, own a business or be a commission salesperson.

**The relationship between a self-employed person and a client (who provides the work) is not one of subordination.** In other words, it is not an employer-employee relationship (as in the case of an employed worker). As a rule, self-employed persons cover their own work-related expenses, assume the financial risks associated with their work and provide their own tools or equipment. They are not normally bound to perform the work themselves and may hire employees or other self-employed persons to do the job. Self-employed persons determine the location at which the work is to be carried out and the hours of work. In short, they are independent of their clients.

An **employee** is an individual who, under a written or verbal agreement, undertakes to carry out work for an employer in exchange for a salary or wages. An employee may be hired on a full-time or part-time basis, for a specific or undetermined period. **The employer controls certain aspects of the employee's activities**, such as work location and hours of work, and may encourage the employee to undertake initial or advanced training. As a rule, an employee receives certain fringe benefits, a paid vacation and group insurance.

If you are in doubt as to whether you are an employee or are self-employed, refer to interpretation bulletin RRQ. 1-1/R2, ***Status of Workers***, which is available from Les Publications du Québec. The bulletin describes in detail the six criteria that can be used to determine a worker's status.

Revenu Québec has also published a folder entitled ***Employee or Self-Employed Person?*** (IN-301-V), which outlines the criteria used to determine a worker's status.

If the worker and the work provider do not agree on the worker's status, they may ask Revenu Québec for a ruling. The following forms must be filed:

- ***Application for Determination of Status as an Employee or a Self-Employed Worker (RR-65-V)***
- ***Questionnaire to Determine the Status of an Employee or a Self-Employed Person (RR-65.A-V)***

Special rules apply to performing, recording and film artists. If you need information on this subject, refer to interpretation bulletin IMP. 80-3/R3, *The Fiscal Status of an Artist Working in One of the Fields of Artistic Endeavour Covered by the Act respecting the professional status and conditions of engagement of performing, recording and film artists*, which is available from Les Publications du Québec.

## Partnership

A partnership is the result of a contract between two or more persons, called partners, who wish to operate a business for profit. Each partner makes a financial contribution (money or property), a professional contribution (work or expertise), or both. Where there is only one partner left in the partnership, and no one joins the partnership within 120 days, the partnership is dissolved.

The liability of the partners differs according to whether the partnership is a general partnership, a limited partnership or a joint venture.

In a **general partnership**, all the partners participate in the administration and management of the business, unless they designate one partner to take on this role. The partners are each personally liable for certain debts and obligations of the business, no matter what their respective share of the business. For example, a supplier who is owed a debt by the partnership may demand that one partner pay the amount due. This partner will be held personally liable for the payment of the debt, but may then ask the other partners to repay their share.

In a **joint venture**, two or more persons enter into a verbal or written agreement for the purpose of collaborating on an undertaking. As a rule, each person invests a sum of money. For example, two persons purchase an office building that they intend to rent out.

A joint venture is not required to register under the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*. It has no head office and no corporate name, and cannot be a party to judicial proceedings.

A **limited partnership** comprises one or more **general partners** and one or more **limited partners**. The general partners contribute their work, experience and expertise. They are the only persons authorized to administer and represent the partnership, and their liability for the debts and obligations of the partnership is unlimited. The limited partners provide capital or assets, and are not liable for the partnership's debts beyond their capital contribution.

**Notes**

- The members of a partnership must report their share of the partnership's income individually and pay the related income tax.
- With respect to consumption taxes, a partnership is considered to be an entity separate from any of its members. As such, it must collect any tax owed, and report the amount and remit it to Revenu Québec by the prescribed deadline.

## Corporation

A corporation is constituted under the authority of a statute (such as the *Companies Act* or the *Canada Business Corporations Act*) and exists as a distinct legal entity, separate from its shareholder or shareholders. The goal of a corporation is to operate a business for profit and to distribute the profits among the shareholders (where there is more than one).

The following are some of the characteristics of a corporation:

- A corporation exists on an ongoing basis, until such time as it is wound up.
- A corporation can be set up under the authority of either a federal or a provincial statute. If you intend to operate your business solely in Québec, it might be advisable to incorporate under a provincial statute. However, the corporate name of a federally incorporated entity is protected throughout Canada.
- A corporation has exclusive ownership of all property (whether money or personal property) transferred to it by its shareholders in exchange for shares of the corporation.
- A shareholder's liability for the corporation's debts is limited to his or her investment, unless the shareholder provided personal guarantees for a loan to be used to invest in the corporation's business.

### Liability of directors

If the corporation fails to remit an amount payable to Revenu Québec, the corporation and the directors serving at the time of the omission are jointly liable for the amount in question, as well as any penalties and interest.

However, directors are not liable if they acted with reasonable care, dispatch and skill under the circumstances, or if it was impossible for them to be aware of the omission.

# 2. Starting your business

In setting up your business, you will have to contact various departments and agencies at the federal, provincial or municipal level, in order to complete certain administrative formalities. Depending on the type of business you plan to operate, you may be required to register your business and, in certain cases, to apply for a permit, licence or sticker. You may also have to register with Revenu Québec, for specific accounts such as GST, QST and source deductions.

## Registration

Whether you are required to register your business depends on its legal structure. A registered business is automatically included in the business register maintained by the Registraire des entreprises, making its existence a matter of public record.

To register your business, you must complete the declaration of registration corresponding to its legal structure. The following information will help you to determine whether you are required to register and how to do so.

### Sole proprietorships and partnerships

If you are starting a sole proprietorship under your own first name and last name, you are not required to register (although you may do so if you wish). For example, the Henry Jenkins Travel Agency would not be required to register. However, a business called Laura's Pet Care would be required to register, since its name does not include the owner's last name.

If you are starting a joint venture, you are not required to register (although you may do so if you wish).

In most other cases, you must register your business. To do so, file a declaration of registration, along with the applicable fee, at an office of the Registraire des entreprises in Montréal or Québec City, within 60 days following the date on which you begin your business activities. You may also file your declaration with Revenu Québec.

### Corporations

If you plan to incorporate your business under the *Companies Act* (in Québec), you may apply to the Registraire des entreprises (but not to Revenu Québec) to have your corporate name reserved for a period of 90 days. You must then complete the required forms and file them along with your articles of incorporation.

If your business is incorporated under the *Canada Business Corporations Act*, or if it is a foreign company that operates or has its head office in Québec, you must complete a declaration of registration and file it with the Registraire des entreprises within 60 days following the date on which your business begins operating in Québec.

## Québec enterprise number (NEQ)

The Québec enterprise number (numéro d'entreprise du Québec or NEQ) is a convenient way for you to identify your business when contacting Québec government departments or agencies. Businesses that wish to register for the various programs and services offered by the Québec government will find the NEQ particularly useful.

The NEQ is a ten-digit number that is assigned when you register your business. It is not mandatory to have a NEQ if your business is not registered (as may be the case if its name includes your first and last names), but if you would like to have a NEQ, you may apply to the Registraire des entreprises. You may also apply to Revenu Québec for a NEQ, unless your business is incorporated.

## Registering for specific accounts

Businesses and employers are responsible for collecting various taxes and duties, and for making source deductions. Consequently, they must calculate the amounts due and remit them to Revenu Québec by the prescribed deadlines. Any entity (whether a sole proprietorship, partnership or corporation) that carries out such operations is considered to be an **agent** of Revenu Québec. As an agent, you may be required to register with Revenu Québec for a number of specific purposes, such as the GST, the QST and (if you are an employer) source deductions. To register, you must complete form LM-1-V, ***Application for Registration***, or (as applicable) form LM-1.PA-V, ***Application for Registration of a Sole Proprietorship***, and file it with Revenu Québec. This form is available from our Web site or any of our offices. You can also register using our online service: **Registering a new business for Revenu Québec files**.

When you register under the QST system, you receive a registration certificate containing your **identification number** and your QST file number. When you register under the GST system, you receive a letter confirming your registration.

If your business is incorporated, Revenu Québec will assign you a **number** for income tax purposes. This number facilitates processing of the income tax return that all corporations are required to file if they have a business in Québec. Your number is assigned once the Registraire des entreprises informs Revenu Québec of your incorporation (if you have a Québec charter) or on the basis of the data you provide in form LM-1-V, ***Application for Registration***. Otherwise, your number will be assigned when you file your first corporation income tax return.

### GST and QST

If you supply taxable property or services, you must generally collect GST and QST on your sales. In this case, you must register for the taxes by completing form LM-1-V, ***Application for Registration*** or (as applicable) form LM-1.PA-V, ***Application for Registration of a Sole Proprietorship***. Refer to Chapter 3 for more information on the GST and QST.

Businesses registered for the GST are automatically registered for the harmonized sales tax (HST) and must collect HST (at the rate of 15%) in participating provinces (New Brunswick, Nova Scotia, and Newfoundland and Labrador). For more information concerning the HST, refer to the brochure ***General Information Concerning the QST and the GST/HST: Guide for Registrants*** (IN-203-V).

> Since most businesses in Québec are not required to collect HST, it is not referred to elsewhere in this brochure. Note, however, that the HST rules are the same as the GST rules.

### Source deductions

If you pay (or expect to pay) salaries or wages to one or more employees, you must register as an employer with Revenu Québec for the purpose of source deductions. As an employer, you are required to

- make source deductions of Québec income tax and Québec Pension Plan contributions from the remuneration you pay your employees, and remit the amounts deducted to Revenu Québec;
- remit to Revenu Québec your employer contributions to the Québec Pension Plan, the health services fund, the Fonds national de formation de la main-d'œuvre and the Commission des normes du travail.

### Special cases

You must collect taxes or duties and obtain a registration certificate, permit, licence or sticker if you

- collect insurance premiums that are subject to the ta. on insurance premiums;
- sell wine, beer, cider or any other alcoholic beverage;
- operate a business in the non-identified tobacco sector (refer to the brochure ***An Overview of the Tobacco Tax Act***, IN-219-V);
- operate a business in the bulk-fuel sector (refer to the brochure ***An Overview of the Fuel Tax Act***, IN-222-V);
- are an interjurisdictional carrier and use a qualified motor vehicle for this purpose;
- make retail sales of new tires or of road vehicles equipped with new tires;
- operate a sleeping-accommodation establishment (such as a hotel, motel or bed and breakfast) located in a tourism region in which the specific tax on lodging applies (refer to the folder ***Tax on Lodging***, IN-260-V).

For more information, refer to the brochure ***Should I Register with Revenu Québec?*** (IN-202-V).

## Other administrative formalities

You may be required to open an account with the Canada Revenue Agency (CRA) respecting corporate income tax or import/export. If you have employees, you will also have to open an account with the CRA for source deductions. You can open an account with the CRA either before or after registering with Revenu Québec.

If you are an employer, you may have to contact other agencies, such as

- the Commission de la santé et de la sécurité du travail (CSST), which is responsible for the compensation and rehabilitation of any worker who is the victim of an industrial accident or an occupational disease. The CSST also ensures that workers and employers fulfil their obligations in matters of prevention, and that their rights are respected;
- the Commission des normes du travail (CNT), which sets the rules governing working conditions;
- the Ministère du Travail, in respect of collective agreement decrees;
- certain Québec or federal departments or agencies, in order to obtain licences or permits.

For further information, we suggest that you explore the **Entreprises** tab on the Portail Québec site at **www.gouv.qc.ca**.

# 3. GST and QST

Most property and services are subject to GST and QST. The GST is calculated on the selling price at the rate of 7%. The QST is calculated on the selling price (including the GST) at the rate of 7.5%.

**Example**

The taxes are calculated as follows on a taxable item with a selling price of $100:

| | |
|---|---|
| Selling price | $100.00 |
| GST ($100 x 7%) | $7.00 |
| QST ([$100 + $7] x 7.5%) | $8.03 |
| **Total** | **$115.03** |

You are generally required to collect the taxes on your taxable sales. You therefore become an agent of Revenu Québec for tax purposes, and must register for the GST and QST. For more information, refer to the section entitled "Registering for the GST and the QST" on page 17.

**IMPORTANT**: Under an agreement between the federal and Québec governments, Revenu Québec is responsible for administering the GST in Québec. Individuals and businesses that are resident in Québec or have their head office in Québec must therefore deal with Revenu Québec to register for the GST and remit the amounts of tax collected.

Please note that, as a registrant, you can generally recover the GST and QST paid on property and services purchased in the course of your business activities. The GST is reimbursed to you in the form of input tax credits (ITCs), the QST in the form of input tax refunds (ITRs). For more information, refer to the section entitled "Claiming ITCs and ITRs" on page 20.

Various points relating to the administration of the GST and the QST are explained in the following pages. However, you should refer to the guide ***General Information Concerning the QST and the GST/HST: Guide for Registrants*** (IN-203-V) for more detailed information on how to calculate, collect and remit the taxes. The guide also treats other subjects, such as the application of the GST and the QST to various types of transactions, the use of coupons, meal and entertainment expenses, sales to diplomats and governments, and refund applications.

## Collecting the taxes

To determine whether you are required to collect GST and QST, you must determine what kind of sale you are making when you supply property or a service to a customer. The type of sale (taxable, zero-rated or exempt) also determines whether you are entitled to ITCs and ITRs.

> In this guide the word "sale" is generally used instead of "supply," which is used in GST and QST legislation. However, a sale includes a supply, such as the rental of property or delivery of services.

## Types of sales

There are three types of sales: taxable, zero-rated and exempt.

### Taxable sales

Most sales are taxable and therefore subject to GST and QST. As a rule, you are required to collect GST and QST on such sales and may claim ITCs and ITRs in their respect.

### Zero-rated sales

A sale is zero-rated if it is taxable at the rate of 0%. You are not required to collect GST or QST on zero-rated sales.

Zero-rated property and services include

- basic groceries,
- prescription drugs,
- certain medical and assistive devices,
- most property in the farming and fishing sector,
- certain property or services exported outside Canada (or shipped outside Québec, under the QST system),
- certain passenger or freight transportation services,
- financial services (under the QST system only).

For more information, refer to the following brochures:

- *The QST and the GST/HST: How They Apply to Medical Devices and Drugs* (IN-211-V)
- *The QST and the GST/HST: How They Apply to Foods and Beverages* (IN-216-V)
- *The QST, GST/HST and the Fuel Tax: How They Apply to Freight Carriers* (IN-218-V)

Zero-rated sales entitle you to claim ITCs and ITRs.

### Exempt sales

Exempt sales are not taxable, and you are not required to collect GST or QST on such sales.

Exempt property and services include

- a residential lease for a period of one month or longer,
- a residential complex (such as a house, a residential unit held in co-ownership, a multi-unit apartment building) that is not new at the time of sale,
- most child-care services,
- most health-care services, including dental services,
- certain educational services,
- certain services provided by public sector bodies such as governments, charities, hospitals and universities,
- most financial services (under the GST system only).

Exempt sales do not entitle you to claim ITCs and ITRs.

## Registering for the GST and the QST

If you make taxable sales in the course of your commercial activities, you must register for the GST and the QST, unless you are considered a **small supplier** (see below for an explanation). If you are a partner in a **partnership**, you should note that only the partnership may register.

### General rule

In this brochure, the term "taxable" includes both taxable and zero-rated sales. You must register for **the GST and the QST** if you make taxable sales and you

- are not considered a small supplier;
- solicit orders for certain items (such as magazines or books) intended to be shipped by mail or courier to addresses in Canada and your annual taxable and zero-rated sales worldwide exceed $30,000; or
- operate a taxi or limousine business, regardless of your annual taxable sales.

### Special rules under the QST system

Whatever the amount of your annual taxable sales, and regardless of whether you are registered for the GST, you must register for **the QST** if you

- sell tobacco products at retail;
- sell fuel at retail;
- sell alcoholic beverages (unless you hold a reunion permit);
- are engaged in the retail sale or leasing of new tires;
- sell or lease new or used road vehicles for a period of 12 months or more.

If your situation corresponds to one of the above, **you must register for QST purposes**. However, if you are considered to be a small supplier, you may not have to register with respect to your other commercial activities.

For more information, refer to the brochure ***Should I Register with Revenu Québec?*** (IN-202-V).

### Small suppliers

Small-supplier status is the basic criterion for determining whether or not you are required to register for the GST and the QST. If you anticipate that your annual taxable sales will not exceed $30,000, you will probably be considered a small supplier and will not be required to register or to collect GST and QST.

However, if your total annual taxable sales exceed $30,000, you must collect the taxes. Your deadline for registering will depend on whether you exceed the $30,000 threshold within the preceding four calendar quarters or within a single calendar quarter. (The quarters in question are the calendar quarters: January to March, April to June, July to September, and October to December).

In calculating your taxable sales, you must include both your own and your associates' taxable and zero-rated sales worldwide, including sales made to entities that are exempt from the taxes (such as the Québec government).

**IMPORTANT**: You may register for GST and QST purposes even if you are a small supplier. If you choose to do so, you become an agent of Revenu Québec and are required to collect the taxes on all taxable sales. As an agent, however, you are also entitled to claim ITCs and ITRs on purchases made for the purpose of making taxable (or zero-rated) sales. Small suppliers, once registered, must maintain their registration for at least one year.

## When should you register?

If you anticipate that your total annual taxable sales will exceed $30,000 within a single quarter, do not wait to register. From the time of the first taxable sale that takes you to (or over) the $30,000 threshold, you are no longer considered to be a small supplier and you must collect the taxes.

If your total annual taxable sales exceed $30,000 within the preceding four calendar quarters, you must register, but will still be considered a small supplier for one additional month. As you must collect the taxes beginning with the first taxable sale you make in the second month after the end of the four-quarter period, it is essential for you to be registered by that time.

### Example

Since she began operating her business, Ms. Smith has always been considered a small supplier, and has never been required to collect GST or QST, even though she makes taxable sales.

At the beginning of July, she determined that her total taxable sales for the preceding four quarters exceeded $30,000. She must therefore register, but is not required to begin collecting the taxes immediately, since she continues to be considered a small supplier until the end of July. However, she must collect the taxes on all taxable sales made on or after August 1.

**IMPORTANT**: Even if you have not received your registration certificate, you must remit the taxes to Revenu Québec by the prescribed deadline.

For more information, refer to the brochure ***Guide to Registration*** (LM-1.G-V).

### Registering for the GST

If you are not considered a small supplier, you must collect GST beginning with your first GST-taxable sale in Canada, but you have 30 days from the date of the sale in which to apply for GST registration.

Taxi firms have 30 days from the date of their first taxable sale in Canada in which to apply for GST registration.

### Registering for the QST

If you are not considered a small supplier, you must apply for registration under the QST system before you make your first QST-taxable sale in Québec.

Taxi firms, persons engaged in the retail sale of tobacco or fuel, and persons engaged in the sale of alcoholic beverages, new tires or road vehicles must also apply for QST registration before they make their first QST-taxable sale in Québec.

# GST and QST returns

## Reporting period

You must file GST and QST returns at the end of each reporting period. Revenu Québec assigns you a reporting period at the time you register, based on the estimated amount of your annual taxable and zero-rated sales in Canada, including the sales of your associates and, if applicable, according to your line of business. The assigned reporting period may be monthly, quarterly or annual, although you may elect to adopt a different reporting period if the amount of your sales warrants the change.

| Annual taxable sales | Assigned reporting period | Other possibility |
|---|---|---|
| $500,000 or less | Annual | Monthly or quarterly |
| From $500,001 to $6,000,000 | Quarterly | Monthly |
| More than $6,000,000 | Monthly | None |

The beginning and end of your reporting period are determined by your fiscal period. For example, if your reporting period is annual and your fiscal period ends on December 31, your reporting period will begin on January 1 and end on December 31. For your first year, your reporting period will extend from the date of registration until December 31.

If you expect to claim ITCs and ITRs on a regular basis, it may be to your advantage to file returns more often. Please note that once you elect a particular reporting period, you are generally not allowed to change it until your next fiscal period.

## Filing the returns

Because the GST is administered by Revenu Québec, you can use form FPZ-500-V to file a **combined GST-QST return**. This form, with its detachable remittance slip, allows you to make your combined GST-QST remittance using a single cheque.

You must file a return, duly completed and signed, whether the amount payable is positive, negative or nil. Your return must reach Revenu Québec **no later than one month after the last day of the period covered** if you file monthly or quarterly, and **no later than three months following the end of your fiscal period** if you file annually.

You can prepare and file your GST and QST returns online, using Clic Revenu. Register for these electronic services on our Web site at **www.revenu.gouv.qc.ca**.

If you are an individual operating a business and you chose December 31 as the end-date of your fiscal period, you have until **June 15** of the following year to file your return. However, any GST or QST payable must be remitted by **April 30**.

# Remitting the taxes and claiming refunds

At the end of each reporting period, you must remit the GST and QST you have collected. This can be done electronically, through Clic Revenu. Any amount of tax **collectible** is deemed **collected** at the time you complete your GST and QST returns.

If the amount of tax you collected on your sales is less than the amount of tax you paid on the property and services you purchased for the purpose of making taxable sales, you are probably entitled to claim a refund.

You may use the quick method of accounting to calculate the amount of tax to be remitted. In certain cases you may find this method to be financially advantageous, particularly if you do not make a great many taxable purchases in the course of your commercial activities.

## Quick method of accounting

This method may be used by most small businesses whose annual taxable sales worldwide do not exceed $200,000 (GST included) under the GST system, or $215,000 (GST and QST included) under the QST system. Using the quick method, you do not claim ITCs or ITRs, as you remit only a portion of the GST and QST you collect. However, you may claim ITCs and ITRs with respect to capital property purchased in the course of your commercial activities.

If you elect to use the quick method, you must complete form FP-2074-V, ***Election Respecting the Quick Method of Accounting for Small Businesses***. For more information about the quick method, refer to the brochure ***General Information Concerning the QST and the GST/HST: Guide for Registrants*** (IN-203-V).

## Claiming ITCs and ITRs

If you are registered for the GST and the QST, you may as a rule recover the amount of the taxes you pay on property and services that you purchase in order to sell taxable and zero-rated property or services. The GST is refunded as input tax credits (ITCs), the QST as input tax refunds (ITRs). The term "inputs" refers to property or services used in the course of commercial activities, such as raw materials, office furniture, computer systems, accountants' fees, machine-repair costs, and promotional items.

To be entitled to ITCs or ITRs, you must be a registrant in the reporting period in which you are required to pay the taxes. You may claim your ITCs and ITRs when you file your GST and QST returns. However, you generally have up to four years in which to do so.

For more information, refer to the brochure ***General Information Concerning the QST and the GST/HST: Guide for Registrants*** (IN-203-V).

**IMPORTANT**

- If you are a small supplier, you may claim ITCs and ITRs only if you are a GST and QST registrant.
- If you sell only tax-exempt property or services (such as medical care), you cannot claim ITCs or ITRs.
- If you are an individual who operates a business, you may claim ITCs and ITRs in respect of personal property that you transfer to your business. However, if the value of the property at the time of the transfer is less than its value at the time it was purchased, you may be entitled to recover only a portion of the taxes, since ITCs and ITRs must be calculated on the basis of the property's fair market value at the time of transfer.
- You cannot claim ITCs and ITRs in respect of property and services purchased for personal use.
- If you use the quick method of accounting, you can claim ITCs and ITRs only in respect of certain purchases related to your commercial activities (for example, purchases of capital property).

## Tax instalments

If you file your returns annually, you must generally remit the taxes you collect in four quarterly instalments, using the form sent to you for each instalment. Instalments must be paid no later than one month after the last day of each fiscal quarter.

If the net amount of GST and QST that you paid for the previous year (or expect to pay for the current year) is under $1,500, you are not required to pay in instalments. Simply file your return at the end of your fiscal period and remit the net amount of GST and QST payable, or claim a refund, as applicable.

The annual return you file at the end of your fiscal period enables you to determine the net amount of GST and QST you actually owe (or the refund you may claim) and to adjust your future quarterly instalments, as required.

## Preparing invoices

When a taxable sale is made, the customer must be informed that GST and QST are added to the selling price. As there are no standard invoices required by law for this purpose, you must clearly indicate the amount of the taxes on the cash register receipt, sales invoice or sales contract remitted to the customer. Alternatively, you may post signs in your establishment which clearly state that the taxes are included in your prices.

As your customers may also be entitled to ITCs and ITRs, you must provide them with the information they need to support their claims (see page 22).

**Information required on invoices to justify ITCs and ITRs**

| Information required | Total sale of less than $30 | Total sale of $30 to $149.99 | Total sale of $150 or more |
|---|---|---|---|
| Supplier's name* or firm name | X | X | X |
| Date of the invoice | X | X | X |
| Total amount of the invoice | X | X | X |
| Amount of tax** | X QST only | X | X |
| Supplier's identification numbers for GST and QST purposes | | X | X |
| Purchaser's name or firm name | | | X |
| Terms of payment | | | X |
| Description of the property or service | X QST only | X QST only | X |

* In certain cases, the name of an intermediary may be entered here.
** The amount of the tax must be entered. If the GST and the QST are included in the price, write a note to this effect.

## Guidelines for advertising

Businesses must avoid giving customers the false impression that their purchases are not subject to tax, if this is not the case.

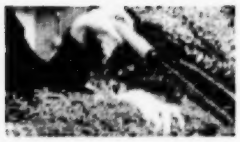
The following examples of acceptable and prohibited references to taxes in advertising will help you better understand your responsibilities in this regard.

The following references are **acceptable**:

- Taxes included
- With taxes
- GST and QST not included
- Plus taxes

The following references are **prohibited**:

- No GST or QST
- No sales tax
- No taxes
- Tax-free day



# 4. Income tax

Even if you will not file an income tax return for some time, there are certain rules you need to be aware of when starting a business, whether as a sole proprietor, a partner in a partnership, or a shareholder in a corporation.

## Personal income tax

The information in this section concerns you if you operate a sole proprietorship or if you are a partner in a partnership.

### Fiscal period

The **taxation year** of an individual normally corresponds to the calendar year, that is, it begins on January 1 and ends on December 31.

The **fiscal period**, on the other hand, corresponds to a period of no more than twelve months, at the end of which a business closes its books and prepares its financial statements.

As a rule the fiscal period ends on December 31, but you may elect to have your fiscal period end on another date if you wish. This election is permitted even for your first year of business operations. If you make the election, you must calculate your estimated additional income each year for the period from the end-date of your fiscal period to December 31, in order to more accurately account for your income for the year. To make the election (and to calculate your estimated additional income), complete form TP-80.1-V, ***Calculation of Business or Professional Income, Adjusted to December 31***, and file it with your income tax return.

A newly formed partnership whose partners are all individuals may select a date other than December 31 as the end-date for its fiscal period, provided one of the partners designated by the partnership makes the election by filing form TP-80.1-V, ***Calculation of Business or Professional Income, Adjusted to December 31***. As a consequence of the election, each partner must calculate his or her own estimated additional income each year.

### Method of accounting

As a rule, you must calculate your net business income according to the accrual method of accounting. Consequently, you must

- report your income for the fiscal period in which it was earned, regardless of whether it was actually paid to you during that period; and
- deduct your expenses for the fiscal period in which they were incurred, regardless of whether you actually paid them during that period.

If you are a **self-employed person** who receives commissions, you may use the cash method of accounting rather than the accrual method. In this case you must

- report your income for the fiscal period in which you received it; and
- deduct your expenses for the fiscal period in which you paid them.

If you practise a **profession**, your total income (professional fees) for your first year of operation is the aggregate of

- all amounts received during the year for professional services that you rendered during the year (or will render after the end of the year); and
- all amounts receivable at the end of the year for services that you rendered during the year.

For subsequent years, you must subtract from the result obtained all amounts that were owing to you at the end of the preceding year.

As a rule, members of a profession must include in income the value of their work in progress at the end of the fiscal period and must exclude from income the value of their work in progress at the beginning of the fiscal period.

If you are an accountant, chiropractor, dentist, lawyer, notary, physician or veterinarian, you may elect to exclude the value of your work in progress from your income. In the case of a partnership, this election must be made by an authorized person on behalf of all the members. The election to exclude work in progress remains in effect for all subsequent years unless you to revoke it.

If you are a partner in a **partnership**, the amount that you must report is equal to your share of the partnership's income, even if it has not been paid to you or credited to your capital account.

The **partnership's** gross income for income tax purposes must be identical to the figure shown on its financial statements. Net income may differ, however, particularly where a given type of income or expense is treated differently for accounting purposes than for income tax purposes, as in the case of

- expenses relating to an office in a partner's home, entertainment expenses, and charitable donations;
- the cost of products intended for sale but consumed by a partner or by members of the partner's family;
- expenses relating to the use of an automobile.

## Business income

### Calculating your income

You must include the following in the calculation of your business income:

- the proceeds of your sales (including commissions);
- the value of any property or service exchanged in a barter transaction (barter refers to the practice of exchanging one property or service for another without the use of money);
- all amounts claimed in previous years as a reserve;
- all amounts or benefits received during the year:
  - the value of vacation trips or gifts offered as remuneration for work carried out in your business;
  - grants, subsidies or other forms of financial incentive received from a government or from a government or non-government agency (except a prescribed amount, an amount already included in income or deducted in the calculation of a balance of expenses for the current or a previous taxation year, or an amount used to reduce the cost of property or the amount of an expense);
  - interest, etc.

### Reporting your income

Whether you are a sole proprietor or a partner in a partnership, you must report your business income by filing a personal income tax return, together with your financial statements or those of the partnership in which you are a partner (provided there are no more than five partners). If you prefer, you may file form TP-80-V, ***Income and Expenses Relating to a Business or Profession***, instead of financial statements. Separate statements (or a separate form) must be filed for each business you operate.

As a rule, the deadline for filing the personal income tax return is April 30. However, you (and your spouse) have until June 15 to file the return if you operate a business or are a partner in a partnership that operates a business. **Note, however, that interest will be charged as of May 1 on any unpaid balance**.

## Operating expenses

### Deductible expenses

As a rule, you may deduct any reasonable expense incurred to earn business income. Certain expenses are not deductible, such as

- investments,
- capital expenditures or capital losses,
- expenses incurred to establish a business, before operations actually begin.

Refer to the brochure ***Business and Professional Income*** (IN-155-V) for more information concerning allowable deductions, particularly in respect of

- the cost of goods sold,
- business taxes and membership and licence fees,
- the cost of labour and equipment required for the maintenance and repair of property used to earn business income,
- expenses respecting meals and entertainment,
- motor-vehicle expenses (travel expenses, interest respecting the purchase of a motor vehicle, capital cost allowance, leasing expenses, etc.),
- the principal classes of property and their respective depreciation rates,
- expenses related to a home office.

### Salary or wages paid to your spouse or child

Whether you are a sole proprietor or a partner in a partnership, you may deduct a salary or wages paid to your **spouse or child**, provided

- the work carried out was necessary to the business (that is, if you had not hired your spouse or child to do it, you would have hired someone else);
- the salary or wages were reasonable, and were equivalent to the amount you would have paid to a person who was not your spouse or child;
- you actually paid the salary or wages.

You must keep all documents substantiating the salary or wages paid. If, instead of paying monetary remuneration, you paid your spouse or child with a product from your business, you may deduct as an operating expense the value of the product in question. Your spouse or child must include the remuneration paid (or the value of the product given in lieu of remuneration) in his or her income. In the case of a product given in lieu of remuneration, you must include the value of the product in your gross sales.

A spouse or child who receives a salary or wages is considered to be your employee, and you must therefore make source deductions and employer contributions, just as you would for any other employee. For more information, refer to Chapter 5, "Source deductions and employer contributions."

## Tax credits

Sole proprietors and partners in a partnership are entitled to claim certain refundable tax credits. These credits are claimed on prescribed forms that you must file along with your income tax return, and include

- the tax credit for taxi drivers and taxi owners,
- the tax credit for scientific research and experimental development (R&D),
- the tax credit for an on-the-job training period,
- the tax credit respecting the reporting of tips.

## Instalment payments

Throughout the year, individuals must pay their income tax and make various contributions (to the Québec Pension Plan, the health services fund and the Québec prescription drug insurance plan). These contributions can be made in one of two ways: through source deductions from salary, wages, pension income, etc., or by means of quarterly instalment payments.

The general rule respecting instalment payments is explained below. If you are a farmer or a fisher, refer instead to the section on page 27 entitled "Farmers and fishers." For more detailed information, refer to the folder ***Instalment Payments of Income Tax*** (IN-105-V).

### General rule

You are required to pay income tax in instalments only if

- your estimated net income tax for the current year is more than $1,200; **and**
- your net income tax payable for **either** of the two preceding years was more than $1,200.

Your **net income tax payable** is the amount by which your income tax payable for the year exceeds the aggregate of the income tax deducted at source and the refundable tax credits you may claim for the year.

If you are required to make instalment payments, you must remit them on a quarterly basis, no later than the fifteenth day of March, June, September and December. Each quarterly instalment is equal to one-fourth of the income tax calculated for the year.

You may calculate your quarterly instalment payments yourself, using form TP-1026-V, ***Calculation of Instalment Payments to Be Made by Individuals***. **However, if you use this method and the amount of your payments subsequently proves to be insufficient, you may incur interest charges.**

Revenu Québec will send you form TPZ-1026.A-V, ***Instalment Payments Made by an Individual***, which is to be used to make your payments. This form indicates the amount of your instalments, based on the information in your income tax returns for the two preceding years. You may remit this amount if you prefer not to calculate the amount of the instalments yourself. If you remit the amount indicated by Revenu Québec, and do so on time, no interest will be charged even if the payments subsequently prove to be insufficient.

### Farmers and fishers

If you are a farmer or a fisher, you must pay your income tax in instalments where

- your estimated net income tax for the current year is more than $1,200 **and**
- your net income tax payable for **each** of the two preceding years was more than $1,200.

Your **net income tax payable** is the amount by which your income tax payable for the year exceeds the aggregate of the income tax deducted at source and the refundable tax credits you may claim for the year.

Once a year, in November, Revenu Québec will send you a form indicating the amount of your instalment payment. If you prefer, you may calculate your instalment payment yourself, using form TP-1026-V, ***Calculation of Instalment Payments to Be Made by Individuals***. The payment must be remitted by December 31.

## Corporation income tax

Given that a corporation is a distinct legal entity, it must file an income tax return. The sections below provide general information on the income tax of for-profit corporations. For more detailed information, you may contact Revenu Québec.

### Fiscal period

You may elect to have a corporation's fiscal period end on any date of the year, provided the fiscal period does not exceed 53 weeks. A corporation's taxation year corresponds to its fiscal period and may therefore also end on a date other than December 31.

### Business income

#### Calculating your income

A corporation that has an establishment in Québec or that sells certain property in Québec is subject to income tax. The income earned by the corporation belongs to the corporation; shareholders cannot allocate the corporation's income to themselves. The corporation's losses are not deductible from the income of individual shareholders, but may influence the value of their shares.

A person who works for a business as a salaried employee may not form a corporation and report his or her employment income as business income.

The principal items taken into account in the calculation of a corporation's income are

- its business income and losses,
- its property income and losses,
- its capital gains and losses.

You must report all the corporation's sales, as well as fees received or receivable for services rendered.

As a rule, you must calculate the corporation's income according to the accrual method, except in the case of a farming or fishing corporation.

### Reporting your income

Form CO-17, ***Déclaration de revenus des sociétés***, must be filed (in French) with Revenu Québec within six months following the end of the corporation's taxation year, regardless of whether the corporation has income tax payable. The return must be accompanied by the related forms, required schedules and financial statements and, if applicable, by the auditor's report. **Any income tax payable must be remitted within two months following the end of the corporation's taxation year.**

For more information, refer to the guide to filing the corporation income tax return (CO-17.G).

## Operating expenses

You may deduct reasonable operating expenses incurred by the corporation to earn business or property income, except

- investments,
- capital expenditures or capital losses,
- expenses incurred to establish the business, before operations actually begin.

Certain expenses, such as those relating to an automobile made available to an employee or shareholder, constitute a taxable benefit for the employee or shareholder. For more information, refer to the brochure ***Taxable Benefits*** (IN-253-V). The remuneration paid to the corporate manager must be in the form of a salary.

The corporation may also pay a salary (for services actually rendered), fees or dividends to a shareholder. As a rule, such sums form an integral part of the shareholder's income. Salaries and wages may be deducted from the income of the corporation (but not dividends).

## Tax credits

A corporation may claim refundable tax credits. These include tax credits in the areas of job creation, training, processing activities in resource regions, technological adaptation and the knowledge-based economy, design, culture, transportation, and scientific research and experimental development (R&D).

## Tax on paid-up capital

Every **corporation** having an establishment in Québec must pay a tax on paid-up capital. The paid-up capital is calculated in the corporation income tax return and is based on financial statements drawn up in accordance with generally accepted accounting principles.

The paid-up capital includes such elements as

- paid-up capital stock,
- surpluses,
- provisions and reserves,
- debts secured by corporation property,
- loans and advances granted to the corporation,
- other debts outstanding for more than six months.

## Instalment payments

As a rule, a corporation is required to make instalment payments if the aggregate of its income tax and tax on capital payable for the current year or the preceding year exceeds $1,000. Instalments are remitted on a monthly basis, and must be paid by the last day of the month, using the form sent to you by Revenu Québec. You may remit your instalments online, using the services offered by certain financial institutions.

Various methods may be used to calculate instalment payments. For more information, refer to form CO-1027, ***Tableau des versements et de la répartition mensuelle du montant réputé payé par une société***.

# 5. Source deductions and employer contributions

If you are an employer, you are required to make regular source deductions of income tax and employee contributions from the remuneration you pay your employees. You are also required to make certain employer contributions.

The procedures for making and remitting source deductions and employee and employer contributions are summarized in the following pages. For more information, refer to the ***Guide for Employers: Source Deductions and Contributions*** (TP-1015.G-V).

## Remuneration paid to employees

Remuneration paid to employees includes salaries, wages, commissions, allowances and tips, as well as employee benefits.

### Benefits

The benefits most commonly granted are

- gifts,
- payment of meals and accommodation,
- payment of moving expenses,
- payment of professional membership dues,
- costs related to the personal use of a motor vehicle.

For more information, refer to the brochure ***Taxable Benefits*** (IN-253-V).

### Tips

To calculate source deductions in respect of tips, you must add to the employees' regular salary or wages

- tips reported by the employees, that is, tips related to sales or received in the course of employment as a hotel valet, porter, doorman or cloakroom attendant;
- tips not reported by the employees because they constitute service charges added to the customer's bill;
- tips allocated by you to the employees, in cases where the amount of tips reported by employees is less than 8% of their sales.

Please note that the method for calculating source deductions is not the same for federal and Québec income tax purposes.

Refer to the brochure ***Tax Measures Respecting Tips*** (IN-250-V) for more information on the reporting of tips, the tip-allocation mechanism, and the refundable tax credit with respect to the reporting of tips that may be claimed by employers. You may also refer to the folder ***Questions about Tips: Employers*** (IN-252-V).

Revenu Québec has also prepared a brochure, ***Questions about Tips: Employees*** (IN-251-V), for employees in the hotel and restaurant sector. You may wish to provide copies of this brochure to your employees.

## Source deductions

You must deduct Québec income tax and contributions to the Québec Pension Plan (QPP) from the remuneration you pay your employees and remit the amounts to Revenu Québec. Federal income tax and employment insurance premiums must also be deducted, but these amounts must be remitted to the Receiver General for Canada.

### Hiring employees for the first time

When you hire employees for the first time, you must have them complete a copy of form TP-1015.3-V, ***Source Deductions Return***. This form indicates certain tax deductions or tax credits which your employees are entitled to claim for the year, such as

- the amount respecting a spouse,
- the amount respecting dependent children engaged in full-time studies,
- the amount respecting other dependants,
- the amount with respect to age, for a person living alone, or for retirement income,
- the housing deduction for residents of designated remote areas,
- the amount respecting a severe and prolonged mental or physical impairment.

The information provided on the form is used to calculate the amount of income tax to be withheld. If an employee does not complete the form, income tax will be withheld on the basis of the basic personal amount indicated on the form.

Where an employee so requests, you may be authorized to reduce the amount of income tax withheld from his or her remuneration, for example, where the employee

- makes contributions to his or her RRSP or to a spousal RRSP;
- pays interest on loans contracted to earn investment income.

You may even be exempted from withholding income tax entirely, depending on the non-refundable tax credits the employee is entitled to claim.

To apply for a reduction in the amount of income tax withheld, the employee must submit to Revenu Québec a duly completed copy of form TP-1016-V, ***Application for a Reduction in Source Deductions of Income Tax***. **The employee will be notified of the amount of the reduction in a letter of authorization, which must be remitted to you, the employer.**

### Québec income tax

To calculate the amount of income tax to be withheld from an employee's remuneration, refer to the ***Source Deduction Table for Québec Income Tax*** (TP-1015.TI-V). The calculation can also be done electronically, using ***Calculation of Source Deductions and Employer Contributions: WinRAS*** (available on our Web site).

### Employee contributions to the Québec Pension Plan

To calculate employee QPP contributions, refer to the publication ***Source Deduction Tables for QPP Contributions*** (TP-1015.TR-V or TP-1015.TR.12-V), or to the electronic version of the tables.

The QPP provides basic financial protection to workers who retire (provided they are at least 60 years old) or become disabled, and to the families of deceased workers. The QPP is the Québec equivalent of the Canada Pension Plan (CPP).

All workers aged 18 or older must pay QPP contributions. This applies even to employees who receive a QPP or CPP retirement pension, or are aged 70 or older.

**IMPORTANT**: You must take care to do the calculations correctly. If the calculations are incorrrect and the amount of QPP contributions is insufficient, the worker's pension benefits may be reduced at the time of retirement.

## Employer contributions

As an employer, you are required to make regular contributions to the QPP and the health services fund. These remittances must be made to Revenu Québec together with your remittances of source deductions. Certain other contributions must be remitted annually.

### Contribution to the Québec Pension Plan

As an employer, you must remit a QPP contribution equal to the aggregate of QPP contributions withheld from the remuneration of your employees.

### Contribution to the health services fund

Along with source deductions, you must remit to Revenu Québec a contribution to the health services fund based on your total payroll, that is, on the aggregate of the salaries and wages paid to employees, including vacation pay, tips, taxable benefits, etc.

Corporations whose first taxation year started before March 30, 2004, are entitled, under certain conditions, to a five-year exemption from the contribution to the health services fund on the first $700,000 of salaries or wages paid during each taxation year. If the taxation year started after June 12, 2003, this exemption applies to 75% of the first $700,000 of salaries and wages paid in the taxation year.

Other exemptions from the contribution to the health services fund may apply, such as the tax holiday for new corporations in remote resource regions. For further information, contact Revenu Québec.

### Contribution to the financing of the Commission des normes du travail

Most employers are required to pay a contribution. (A few businesses, such as day-care centres, are exempt.) To calculate the contribution, you must use form LE-39.0.2-V, ***Calculation of the Employer Contribution to the Financing of the Commission des Normes du Travail***. As a rule, the contribution for the year must be paid by the last day of February of the following year.

If you require information concerning labour standards, contact the Commission des normes du travail.

### Contribution to the Fonds national de formation de la main-d'œuvre

If your total payroll exceeds $1 million, you are required to participate in the development of worker training by allotting at least 1% of your payroll to training expenditures. In general, total payroll means the aggregate of salaries and wages paid (and benefits granted) to your employees. If your eligible training expenditures are lower than the prescribed minimum, you are required to make a contribution the Fonds national de formation de la main-d'œuvre. As a rule, the contribution for the year must be paid by the last day of February of the following year.

For more information, refer to the brochure ***The Ministère du Revenu du Québec and the Application of the Act to Foster the Development of Manpower Training*** (IN-234-V).

# Remittance of source deductions and employer contributions

## Making remittances

You must remit to Revenu Québec the amounts deducted at source during each month, together with your contributions to the Québec Pension Plan (QPP) and the health services fund. Payment must be received by Revenu Québec no later than the 15th day of the following month, even if source deductions are made every two weeks. Please note that remittances are monthly if, during the previous year, you made no payment or your average monthly payments were under $15,000. Payment frequency may vary according to changes in payroll. For more information, consult the ***Guide for Employers: Source Deductions and Contributions*** (TP-1015.G-V).

### Example

If your payment frequency is monthly, source deductions made on an employee's remuneration on April 12 and April 26 must be remitted to Revenu Québec by May 15. The date of payment is considered to be the date on which the remittance is received by Revenu Québec or by a financial institution, and not the date of the postmark.

You must enclose your payment with remittance form TPZ-1015.R.14-V, ***Remittance of Source Deductions and Employer Contributions***. Revenu Québec will send you your monthly **remittance forms once every three months**. In January, for example, you will receive the forms for January, February and March, which you must file by the prescribed deadlines.

You may remit source deductions and employer contributions through Clic Revenu, and thus avoid filing the paper forms. Register for Clic Revenu on our Web site at **www.revenu.gouv.qc.ca**.

If you do not have a remittance form because you are making source deductions for the first time, submit a cheque or money order covering the amount of your remittance and made payable to Revenu Québec. Enclose with your remittance a letter indicating

- your name and address,
- the pay period for which you are making the remittance,
- the total amount of your source deductions and employer contributions.

Send the letter and remittance to the Revenu Québec office in your area. An account will be opened in your name, and you will receive a remittance form for your next payment. **From that point on, you must file the remittance form even if you have no source deductions or employer contributions to remit for the period in question**.

**IMPORTANT**: Every amount you deduct or withhold as an employer pursuant to a fiscal law is deemed to be held in trust for the government, and must therefore be kept in a separate account from your own funds.

## Summary of source deductions and employer contributions

On or before the last day of February of each year, you must file a ***Summary of Source Deductions and Employer Contributions*** (form RLZ-1.S-V) for the preceding year, in order to account for the following amounts remitted to Revenu Québec:

- the total Québec income tax and QPP contributions withheld from the remuneration paid to your employees,
- your employer QPP contribution,

- your contribution to the health services fund,
- your contribution to the financing of the Commission des normes du travail,
- your contribution to the Fonds national de formation de la main-d'œuvre.

You may prepare and transmit your RLZ-1.S-V form electronically, through Clic Revenu.

**IMPORTANT**: As a new employer, you must remit any balance payable with regard to Québec income tax, QPP contributions and the contribution to the health services fund when you make your last remittance for the month of December, and not when you file your ***Summary of Source Deductions and Employer Contributions*** (form RLZ-1.S-V). Your contribution to the Commission des normes du travail and the Fonds national de formation de la main-d'oeuvre must be received at Revenu Québec no later than the last day of February. You may be subject to interest and a penalty if you do not pay your balance on time.

You may also be subject to a penalty if you do not file form RLZ-1.S-V by the prescribed deadline.

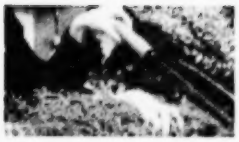
## Filing RL-1 slips

The RL-1 slip is used for reporting salaries, wages, taxable benefits, tips, commissions and any other remuneration paid to a shareholder or an employee (even if the person is your spouse). The slip is also used for reporting amounts deducted at source from these types of remuneration.

Copy 1 of each RL-1 slip must be sent to Revenu Québec by the last day of February, along with the ***Summary of Source Deductions and Employer Contributions*** (RLZ-1.S-V). Copies 2 and 3 must be remitted or mailed to your employees by the same deadline.

For more information, refer to the ***Guide to Filing the RL-1 Slip*** (RL-1.G-V), which is updated annually.

You may prepare and transmit your RL-1 slips electronically, through Clic Revenu.



# 6. Registers and supporting documents

## General information

If you operate a business in Québec, you must keep registers and supporting documents (either on paper or on electronic media) and store them at your place of business, your home, or any other place designated by Revenu Québec. In the event of an audit, you must make these records available to the employees of Revenu Québec within a reasonable time.

These documents must enable the employees of Revenu Québec to verify your business income and expenses for tax purposes, the amounts of GST and QST you collected, the sales taxes you paid (if you are claiming ITCs or ITRs), and any other information used to calculate your source deductions and employer contributions.

You must keep the following supporting documents:

- a daily statement of your income, along with invoices and cash register tape;
- a daily statement of your operating expenses, along with your cancelled cheques, voided cheques and receipts. To substantiate your ITCs and ITRs, you must ensure that certain information is included on your invoices (refer to the table on page 22);
- a statement of kilometres travelled, for each automobile used for both business and personal purposes;
- documents substantiating trips;
- documents substantiating capital expenditures;
- your credit card bills and monthly statements;
- registers indicating your employees' names, their salaries and wages, and the amounts withheld from the remuneration you pay them.

## Keeping documents

As a rule, your registers and supporting documents (including those on electronic media) must be kept for at least six years after the last taxation year to which they apply. The taxation year for a sole proprietorship or a partnership is the calendar year. The taxation year for a corporation is its fiscal period.

It may be necessary for you to keep your records for more than six years if you file a notice of objection or an appeal with the courts.

# 7. What recourse do you have?

As a taxpayer or agent, you have the right to obtain an explanation or voice your disagreement with respect to an amount shown on your notice of assessment or with respect to the handling of your tax file.

The vast majority of problems can be solved by a visit or call to the Revenu Québec office in your area. However, if you still feel that your problem has not been handled properly, you may lodge a complaint by contacting Revenu Québec as indicated below:

Direction du traitement des plaintes
3800, rue de Marly
Sainte-Foy (Québec) G1X 4A5

Telephone: (418) 652-6159
1 800 827-6159
Fax: (418) 652-4036
Internet: **www.revenu.gouv.qc.ca**

Although the Direction du traitement des plaintes does not have the power to make a ruling, it may nonetheless give an opinion concerning any decisions taken in relation to your file.

Revenu Québec will try to review your complaint within 35 days. If this is not possible, you will be so informed by the person in charge of your file.

If the process described above fails to provide a satisfactory solution, you may wish to proceed with an objection or appeal. If you decide to take these legal steps, you must act within certain deadlines and follow the prescribed procedure. For more information, refer to the brochure ***Recourse for Your Tax-Related Problems*** (IN-106-V).

If you believe that you have been treated unfairly, you may contact the Protecteur du citoyen, which is authorized to investigate all complaints respecting the activities of the public administration.

# 8. Revenu Québec services

## Tax information

Decentralization of its activities is one of the means by which Revenu Québec makes its services more accessible to the public. To obtain answers to your tax questions or have corrections made to your file, you may call, write or visit the Revenu Québec office in your area. A list of our offices, with addresses and telephone numbers, is provided at the end of this brochure.

You may also visit our Web site at **www.revenu.gouv.qc.ca**. The site holds useful information concerning taxation and Revenu Québec itself. You can also consult or order any of our numerous folders, brochures, forms and guides.

### Business windows

If you are starting a business, you can turn to Revenu Québec's business windows for information on income tax, consumption taxes and source deductions—for answers, in fact, to all your tax questions. These services are available at each of our regional offices.

Business windows—a great way to help you meet your tax obligations!

## NetFile Québec

If you are completing the personal income tax return, you may file the return yourself using NetFile Québec. To use this service, you must

- have commercial tax-calculation software designed for the personal income tax return;
- make sure that the software you are using is capable of transmitting the data in your return by Internet;
- use the access code assigned to you by Revenu Québec.

If you have a balance due, you may pay it by Internet, provided you have an account at a financial institution that offers this service. If you are entitled to a refund, you may request to have it deposited directly in your account.

If you use the NetFile service to file your return, you do not need to mail a paper copy of any of your documents to the Ministère. However, you should keep all documents that relate to your return for at least six years after the taxation year to which they apply.

## Clic Revenu for businesses

All Québec businesses are welcome to use Clic Revenu, the electronic services provided on our Web site. The services are free, secure and available at all times. All you need do is register!

Using Clic Revenu, you may consult your tax file online, regardless of how you file your returns or make payments to Revenu Québec.

Online services are available at all times and allow you to

- report your source deductions and employer contributions and file your consumption tax returns, RL-1 slips and ***Summary of Source Deductions and Employer Contributions*** (form RLZ-1.S-V);
- make your remittances;
- authorize an accountant to consult your tax file and conduct transactions on your behalf through a power of attorney;
- take advantage of several other services.

Several Clic Revenu services are summarized in a demo that you can access on our home page. Why not give it a try?

## Methods of payment

### Online payment

Use of our **Electronic payment via financial institutions** service allows you to remit source deductions and employer contributions to us through participating financial institutions.

More information about online payment can be found under the **Electronic services** portal on our Web site. You can also call (418) 652-5281 or, toll-free, 1 888 830-7747 (extension 5281).

If you are registered for Clic Revenu, the online payment service allows you to remit source deductions, employer contributions, consumption taxes and instalment payments directly to us (rather than going through a financial institution).

### Other methods

Depending on your situation, various methods of payment serve to remit income tax, consumption taxes, source deductions and instalment payments. You can

- mail a cheque or money order payable to the Minister of Revenue of Québec;
- pay through your financial institution;
- make an over-the-counter payment at an office of Revenu Québec (cheques and debit cards accepted).

## Publications

This brochure was designed to provide you with general information on new businesses and taxation. For more detailed information on the various subjects discussed, you should refer to the brochures, folders and guides mentioned. These publications are available at any of our offices, and can also be consulted or ordered on our Web site at **www.revenu.gouv.qc.ca**.

### Tax News

***Tax News*** is a newsletter posted quarterly on Revenu Québec's Web site by the Direction des communications. It provides information on the application of the QST, Québec income tax and various consumption taxes, as well as on the GST, the HST and other federal excise taxes and duties. ***Tax News*** incorporates the contents of ***GST/HST News***, a newsletter published by the Canada Revenue Agency.

If you wish, Revenu Québec will notify you of each new posting of ***Tax News*** and provide you with a link to the bulletin. To obtain this service, simply add your name to the online notification list, for which a link is provided on our home page.

# Deadlines

| Income tax and source deductions<br>**Sole proprietorships and partnerships** | |
|---|---|
| **The 15th of each month** | Deadline for remitting source deductions and employer contributions to the QPP and the health services fund for the previous month (if your payment frequency is monthly) |
| **The last day of February** | Deadline for filing RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (RLZ-1.S-V) for the previous year<br>Deadline for mailing or remitting copies 2 and 3 of the RL-1 slips to your employees<br>Deadline for paying your contributions to the Commission des normes du travail and the Fonds national de formation de la main-d'oeuvre, if applicable |
| **March 15** | Deadline for the first instalment payment of income tax |
| **April 30** | Deadline for remitting income tax payable by an individual |
| **June 15** | Deadline for filing your income tax return (This extension applies to both you and your spouse, in view of the fact that you operate a business.)<br>Deadline for the second instalment payment of income tax |
| **September 15** | Deadline for the third instalment payment of income tax<br>Deadline for the first instalment payment, if this is the first year in which you are making instalment payments of income tax |
| **December 15** | Deadline for the fourth instalment payment of income tax<br>Deadline for the second instalment payment, if this is the first year in which you are making instalment payments of income tax |
| **December 31** | Farmers and fishers: deadline for the instalment payment of income tax for the current year |

## Income tax and source deductions

Corporations

| | |
|---|---|
| **The last day of February** | Deadline for filing RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (RLZ-1.S-V) for the previous year<br>Deadline for mailing or remitting copies 2 and 3 of the RL-1 slips to your employees<br>Deadline for paying your contributions to the Commission des normes du travail and the Fonds national de formation de la main-d'oeuvre, if applicable |
| **The 15th of each month** | Deadline for remitting source deductions and employer contributions to the QPP and the health services fund for the previous month (if your payment frequency is monthly) |
| **The last day of each month** | Deadline for instalment payments of income tax for the current year |
| **Two months after the end of the corporation's taxation year** | Deadline for remitting income tax payable |
| **Six months after the end of the corporation's taxation year** | Deadline for filing the *Déclaration de revenus des sociétés* (CO-17) |

## Consumption taxes

### Sole proprietorships, partnerships and corporations

| | |
|---|---|
| **One month after the last day of your reporting period**<br>**MONTHLY OR QUARTERLY REPORTING PERIOD** | Deadline for filing your GST and QST returns |
| **Three months after the last day of your reporting period**<br>**ANNUAL REPORTING PERIOD** | Deadline for filing your GST and QST returns |
| **The last day of the month following the end of each quarter in your fiscal period**<br>**ANNUAL REPORTING PERIOD** | Deadline for instalment payments, if you are required to pay instalments of GST and QST |
| **April 30**<br>**For sole proprietorships**<br>**ANNUAL REPORTING PERIOD** | Deadline for remitting GST and QST, if your fiscal period ends on December 31 |
| **June 15**<br>**For sole proprietorships**<br>**ANNUAL REPORTING PERIOD** | Deadline for filing your GST and QST returns, if your fiscal period ends on December 31 |

## More offices to serve you better

**Gatineau**
170, rue de l'Hôtel-de-Ville, 6e étage
Gatineau (Québec) J8X 4C2
**819 770-8504 or 1 800 567-4692**

**Jonquière**
2154, rue Deschênes
Jonquière (Québec) G7S 2A9
**418 548-6392 or 1 800 567-4692**

**Laval**
4, Place-Laval, bureau RC-150
Laval (Québec) H7N 5Y3
**450 972-3320 or 1 866 540-2500**

**Longueuil**
Place-Longueuil
825, rue Saint-Laurent Ouest
Longueuil (Québec) J4K 5K5
**450 928-8820 or 1 866 490-2500**

**Montréal**

- Complexe Desjardins
  C. P. 3000, succursale Desjardins
  Montréal (Québec) H5B 1A4
  **514 873-2600 or 1 866 440-2500**
- Village Olympique, pyramide Est
  5199, rue Sherbrooke Est, bureau 4000
  Montréal (Québec) H1T 4C2
  **514 873-2610 or 1 866 460-2500**
- Les Galeries Saint-Laurent
  2215, boulevard Marcel-Laurin
  Saint-Laurent (Québec) H4R 1K4
  **514 873-6120 or 1 866 570-2500**

**Québec**
200, rue Dorchester
Québec (Québec) G1K 5Z1
**418 659-4692 or 1 800 567-4692**

**Rimouski**
212, avenue Belzile, bureau 250
Rimouski (Québec) G5L 3C3
**418 727-3702 or 1 800 567-4692**

**Rouyn-Noranda**
19, rue Perreault Ouest, RC
Rouyn-Noranda (Québec) J9X 6N5
**819 764-6765 or 1 800 567-4692**

**Saint-Jean-sur-Richelieu**
855, boulevard Industriel
Saint-Jean-sur-Richelieu (Québec) J3B 7Y7
**450 349-1120 or 1 866 470-2500**

**Sainte-Foy**
3800, rue de Marly
Sainte-Foy (Québec) G1X 4A5
**418 659-4692 or 1 800 567-4692**

**Sept-Îles**
391, avenue Brochu, bureau 1.04
Sept-Îles (Québec) G4R 4S7
**418 968-2211 or 1 800 567-4692**

**Sherbrooke**
2665, rue King Ouest, 4e étage
Sherbrooke (Québec) J1L 2H5
**819 563-3776 or 1 800 567-4692**

**Sorel-Tracy**
101, rue du Roi
Sorel-Tracy (Québec) J3P 4N1
**450 928-8820 or 1 866 490-2500**

**Trois-Rivières**
225, rue des Forges, bureau 400
Trois-Rivières (Québec) G9A 2G7
**819 379-5392 or 1 800 567-4692**

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Inquiries from outside Canada should be directed to the Sainte-Foy office.

We invite you to visit our Web site at **www.revenu.gouv.qc.ca**.

Vous pouvez vous procurer la version française de cette publication en demandant le document *Le démarrage d'entreprise et la fiscalité* (IN-307).

Revenu Québec

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